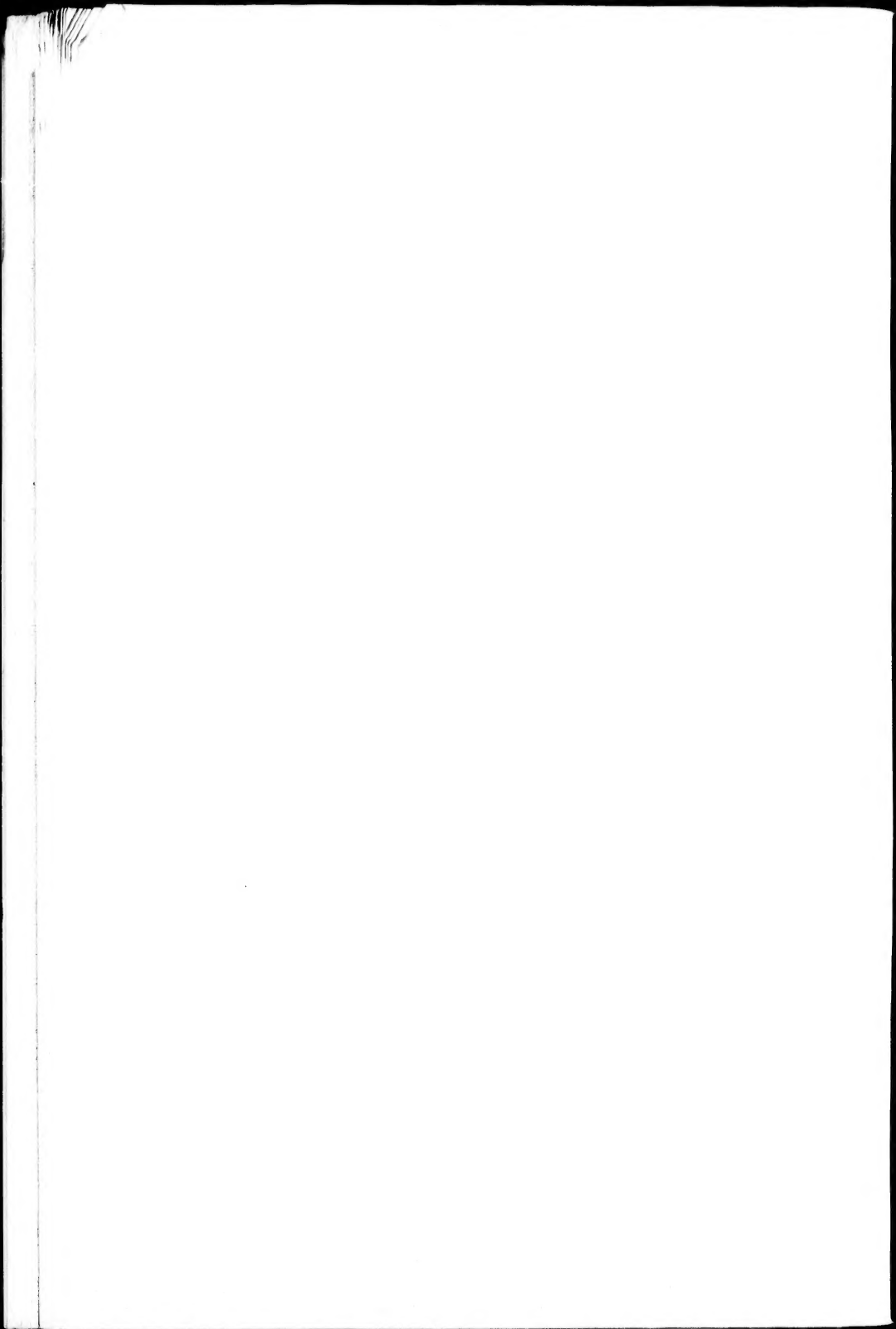




CHIGNECTO

**Marine Transport Railway
Company Ltd.**



STATEMENT

FOR THE

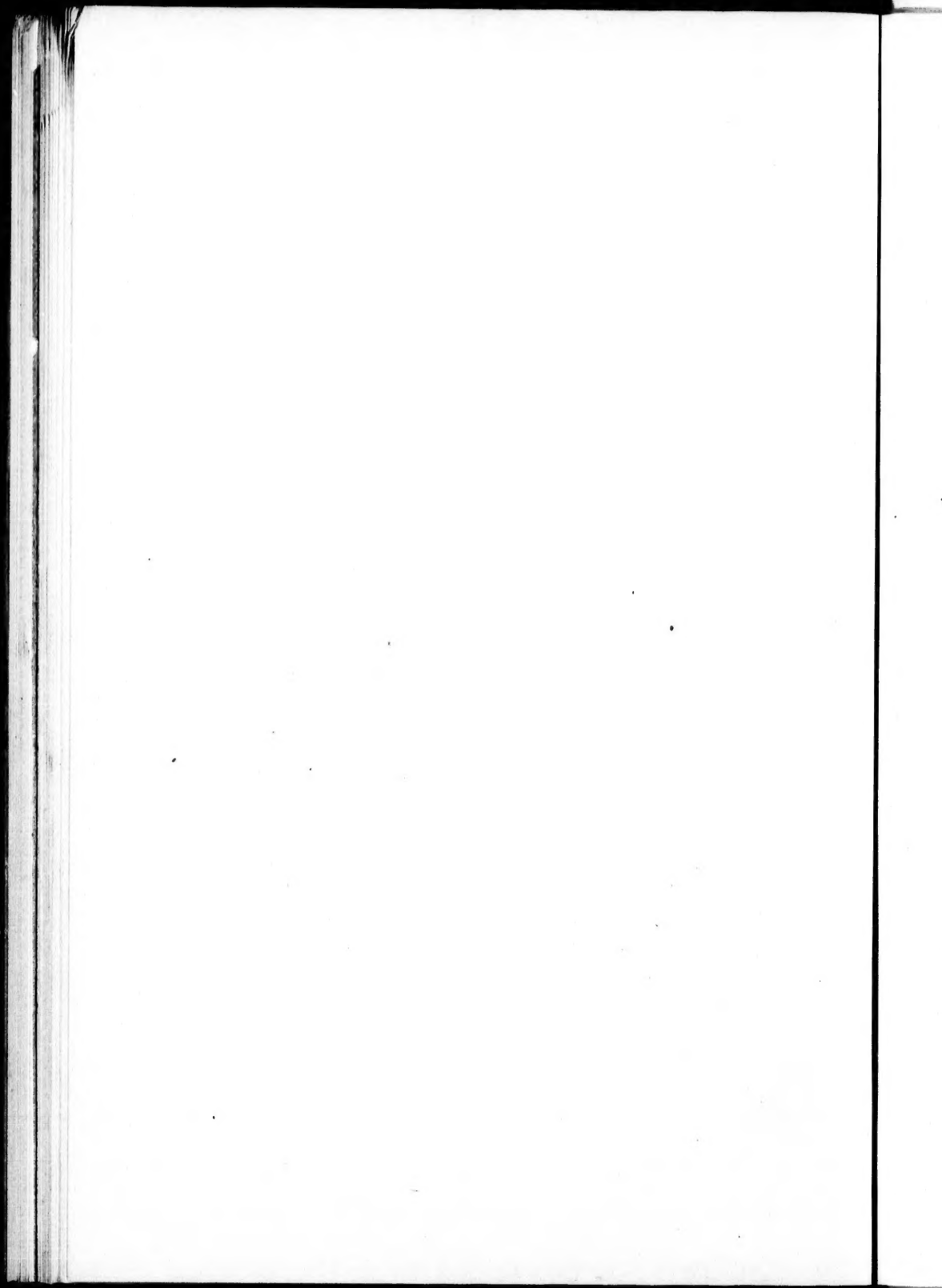
Dominion Government and Parliament



OTTAWA :

Printed at the office of Thoburn & Co., 36 Elgin St.

1896.



Chignecto Marine Transport Railway Company, Limited.

*To the Honorable the Members of the
Canadian Senate and House of Commons.*

GENTLEMEN,—

As the Acts authorizing the contract for the construction of this Railway have expired by limitation of time, I have come to Canada on behalf of the investors in the Company, to ask for their re-enactment, in order to enable the Company to proceed with and complete this notable Public Work on which, under the authority of the Acts now expired, they have already expended \$3,500,000, and executed nearly three-fourths of the undertaking.

For the information of members of both Houses, I have prepared the following statement in order to place before you, in a brief form, the chief facts and circumstances relating to the present position of the Works.

I am,

Honorable members of the Canadian Parliament,

Your most obedient servant,

A. D. PROVAND,

A Director of the
Chignecto Marine Transport Railway Co., Limited.

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Chignecto Marine Transport Railway Company, Limited.

PRE-PARLIAMENTARY HISTORY OF THE SCHEME.

In order to present a connected statement a brief notice of this is necessary.

For many years before the original Incorporating Act of the Railway was passed in 1882 successive Canadian Governments had considered it was necessary to make a Ship Canal across the Isthmus of Chignecto, between the Gulf of St. Lawrence and the Bay of Fundy, in order to avoid the long journey by sea, around Nova Scotia, for vessels trading between ports on the St. Lawrence and ports in the Bay of Fundy and the United States. This idea, however, did not take any practical shape until November, 1870, when a Royal Commission was appointed,

"To institute and make a thorough enquiry as to the best means of affording such access to the seaboard as may best be calculated to attract a large and yearly increasing share of the trade of the North Western portion of North America through Canadian waters, as well as a thorough and comprehensive improvement of the Canal System of our said Dominion, on such a scale and of such a character as would best tend to afford ample facilities for the expansion and due development of its growing trade and commerce; and in such enquiry to consider the whole subject in all its bearings, as well in a commercial as in an engineering point of view, with the object of obtaining such reliable information thereupon as may furnish the necessary data on which to base a plan for the improvement of the Canal System of our said Dominion of a comprehensive character, and such as will enable Canada to compete successfully for the transit trade of the great Western Country; and especially to enquire into the public works and improvements hereinafter enumerated, that is to say, &c."

The Chairman of the Commission was Sir Hugh Allan. The other Commissioners were Mr. G. S. Gzowski, Mr. W. D. Calvin, Mr. P. Garneau, Mr. Alexander Jardine and Mr. J. L. Shannon. These gentlemen were selected as Commissioners on account of their complete knowledge of the mercantile conditions and requirements of Canada; their thorough acquaintance with shipping and of their exceptional experience as engineers. Mr. Samuel Keefer, the well-known Civil Engineer, was appointed Secretary.

A list of twelve canals was included in the reference to the Commission, and the Commissioners adopted a categorical method of enquiry. They divided the canals to be reported upon into classes, and amongst the works *of the first class* to be proceeded with,

"As soon as the means could be granted for this purpose,"

was the *Baie Verte Canal*, and a survey and estimate of the cost was carried out at the instance and expense of the Dominion Government.

The Royal Commissioners, in their report, said :—

"The evidence submitted points out with remarkable force and unanimity the necessity of opening a highway for commerce between the Gulf of St. Lawrence and the head waters of the Bay of Fundy, through the Isthmus of Chignecto dividing them,"

and so impressed were they with the truth of this that they submitted a special report, prepared by the Secretary of the Commission and endorsed by one of their own body, both of whom were civil engineers.

There was doubt as to the cost of the undertaking, but in reference to this the Commissioners said :—

"If the plan that is cheapest of accomplishment cannot be carried out because nature has not given the necessary facilities, the interest of commerce in this project is too great to be balked by an expenditure we did not at first anticipate. It demands the speedy opening of the channel, and will justify its construction almost at any cost."

Many other quotations could be given to show the great national value placed on this work, and the importance attached to it by leading public men.

A report, with specifications and estimates, was thereafter prepared for the Government by Messrs. Keefer and Gzowski, eminent Canadian engineers, and they placed the approximate cost at \$5,317,000.

The Government then intended to carry out the work, and Lord Dufferin, in his speech at the opening of the Session of 1873, at the time the above report was issued, used the following language :—

"I am glad to inform you that plans and specifications for the enlargement of the Welland, and the construction of the *Baie Verte Canal* have been completed, and that the works can now be put under contract. The surveys for the St. Lawrence Canals will, I am assured, be finished in time to commence the works at the beginning of next year. This will ensure the completion of all these great works at the same period."

The Government and Parliament of Canada were so impressed with the commercial advantages which would result from the Canal that Parliament in the three following years voted money to commence its construction. In 1872 and 1873 the Conservative Government included this in the estimates for the construction of Canals, and in 1874 the Liberal Government, which had then come into office, continued the policy and also voted money to commence construction. Both Liberal and Conservative Governments were therefore pledged to carry out this enterprise and have placed the facts on parliamentary record.

However, before expending any part of this money, the estimate was referred for revision to Mr. John Page, Chief Engineer of Public Works, and after a careful and exhaustive examination he reported that, in his opinion, Messrs. Keefer and Gzowski had under-estimated the cost, which he found would probably amount to \$7,100,000. As this was considerably in excess of the estimates

upon which the Government intended to set aside the first \$1,000,000 for the purpose of beginning operations, the work was for the time being postponed. According to further estimates afterwards prepared, the cost of the Ship Canal might have been as high as \$9,000,000, or even \$10,000,000.

The postponement of operations continued until 1880, when Mr. Ketchum, a Canadian civil engineer, placed before the Government proposals for a Ship Railway instead of a Canal, as being a cheaper and better method of supplying the necessary transportation requirements across the Isthmus.

Mr. Ketchum's proposals for a Ship Railway were referred by the Government to the Chief Engineer of the Department, Mr. Collingwood Schrieber, C.M.G., who, after an examination of the proposal, made a report on 4th February, 1882, in which he said, referring to the report of the Royal Commission :

" After a most exhaustive enquiry they reported (vide page 50, letter of Canal Commission) that inseparably connected with the growth of the Intercolonial trade is the construction of the Baie Verte Canal across the Isthmus connecting the Provinces of Nova Scotia and New Brunswick. The advantages that must accrue, not merely to the Dominion as a whole, but to the commerce of the Maritime Provinces, are so clearly pointed out by the Boards of Trade of all the leading cities of Canada and by men interested in our Commercial interests, not simply the merchants of St. John and other places in the locality of the proposed canal, but merchants of Hamilton, Toronto, Ottawa, Montreal and Quebec that it is superfluous for the Commissioners to do more than point briefly to a few salient features of the scheme :—

" On page 51 the Commissioners state the distance from Shediac to St. John by the present route via the Gut of Canso to be 600 miles. This distance would be reduced by the construction of the Baie Verte Canal to about 100 miles and freights would be in their course diminished by 25 per cent., greatly benefitting the coal trade and fisheries and increasing the volume of general business.

* * * * *

" It is Canadian in design and must prove national in its results.

* * * * *

" The Commission after a most exhaustive enquiry, appear to have concluded that the passage of ships through the Isthmus of Chignecto, without breaking bulk in their cargoes, is a matter of very great importance. This object Mr. Ketchum proposes to accomplish by a subsidy of \$150,000 a year for 25 years, which, capitalized, is equal to the sum of \$2,343,312."

Mr. Collingwood Schrieber also recommended that if the government assisted the undertaking, it should be by an annual payment commencing with the opening of the Ship Railway for traffic and continuing so long as the railway is efficiently maintained and operated, not exceeding the specified term, and these recommendations were afterwards embodied in the Company's Act.

The foregoing shows that the Royal Commission expressly appointed to enquire into the subject found that a channel for the accommodation of the commerce of the Maritime Provinces across the Isthmus of Chignecto was a pressing necessity, and their conclusions were fortified and sustained by the opinions of independent public men and were consequently adopted by the different governments, both Liberal and Conservative, of that period.

PARLIAMENTARY HISTORY OF THE SHIP RAILWAY.

The public interest taken in the proposed Ship Canal, and the parliamentary, engineering and commercial opinion, which had hitherto been so favorable to it, was now transferred to the Ship Railway, and in 1882 the government passed two Acts, one of them incorporating the Chignecto Marine Transport Railway Company (Limited), and the other one granting a subsidy of \$150,000 per annum for twenty five years. In the preamble of the former Act the necessity for the work was again confirmed in the following passages:—

“Whereas the construction of the said railway would be to the general advantage of Canada, and specially conducive to the development of the commercial interests and the coasting trade of the Maritime Provinces of the Dominion.”

And in clause 16 of the Act:—

“It is hereby declared that the construction of the said Railway is of general importance, and a work for the general advantage of Canada.”

In the Subsidy Act the case for the railway was more fully stated:—

“In consideration of the great advantages which would accrue to the Maritime Provinces and the inter-colonial trade of Canada generally from the construction of a ship railway across the Isthmus of Chignecto from Tidnish to La Baie Verte, in the Gulf of St. Lawrence, to a point at the mouth of the River La Planche, on the Bay of Fundy, and of the proposal made by Mr. H. G. C. Ketchum, on behalf of a company formed and to be incorporated as ‘The Chignecto Marine Transport Railway Company’ (Limited), and approved by the Governor in Council on the report of the Minister of Railways and Canals, after consultation with the Chief Engineers of the Department.”

An amending Act was passed in 1883, and Mr. Ketchum, the Canadian engineer and projector of the railway, brought these Acts and particulars to London, and found the enterprise could not be financed without changing the terms of the subsidy. He therefore returned to Canada, and in 1886 the Government passed a fresh Act varying the terms of the subsidy from \$150,000 for 25 years to \$170,602 for 20 years, the two amounts being actuarial equivalents, taking into account the difference in the number of years. The Schedule to this Act is the Contract between the Minister of Railways and the Canadian promoters who formed the Company and who were named in the incorporating Act of 1882. It must be assumed as certain after all those years of investigation, that when this contract was entered into, the Government believed the railway was a necessity, and that it would adequately supply the needed transportation requirements of the Isthmus, and would also be a commercial and financial success. This Act and Contract were, therefore, to the investors a re-affirmation of Canadian confidence in the enterprise.

These four Acts of Parliament form the warranty of the Dominion govern-

ment of the enterprise, and the special clauses in the subsidy Act were set out in the prospectuses issued to the investors showing the terms on which they could invest their money under the Act.

Therefore, for 16 years the necessity of a trade route being made across Chignecto had been under consideration by Parliament and public commercial bodies, and had met with consistent and unvarying approval. In the Acts were clauses directly pointing out the advantages of the Railway. Part of what is stated in the preambles of the Acts may be necessarily formal language, but this is known only to those familiar with Parliamentary proceedings, and is not within the knowledge of ordinary investors who understand such statements as direct Parliamentary recommendations of the enterprise.

As the time named by the Act of 1886, to carry out the work, was largely occupied in preliminary surveys and estimates that were indispensable in a novel engineering enterprise of this character, Parliament passed an Act in 1888, extending the time for the completion of the work from the 1st July, 1889, to the 1st July, 1892. The object of passing these Acts was to enable the Canadian promoters to obtain the capital in London to build the Ship Railway, and this was stated in Parliament with the utmost plainness by the Parliamentary Leaders and the Finance Minister of that day, as follows:—

Sir John Macdonald, then Premier of Canada, in speaking in the House of Commons on the 11th May, 1882, when the first Act was before the House, said:—

"The amount we are called upon to expend is comparatively small, and we are not called upon to expend that until we have assurance of its success. I think the Government is to be congratulated on taking up the matter in the way it has."

On the same occasion, the Hon. Alexander Mackenzie, the Leader of the Opposition, in speaking of Mr. Ketchum, the projector of the Ship Railway, said:—

"He will be able, no doubt, to obtain the money in the English market with the guarantee of the Canadian Government."

And on the 19th April, 1888, when the final Act given to the promoters was passing through the House, Sir Charles Tupper, then Finance Minister, said:—

"The Government is not asked to pay any money but simply to enable English capitalists to furnish all the money required, and to give us the work at half the cost we could obtain these advantages in any other way."

Therefore, from 1882 to 1886 when the first and last Acts were passed relating to the Company and granting the subsidy, both Houses of Parliament were in favour of the scheme, and the object and intention of Parliament in passing the four Acts were stated by the leaders on

both sides of the House to be to obtain the capital in London to carry it out. So anxious was Parliament for this that the last Act,—that of 1886,—was, as already explained, an alteration of the terms of the subsidy expressly made to meet the requirements of the investors.

The foregoing shows the position of the enterprise when it was brought to London to be financed—down to this time the scheme was entirely that of the original Canadian Promoters, incorporated by the Canadian Parliament as a Company, who obtained all the necessary legislation above mentioned. The Ship Canal originally proposed was to be constructed at Government expense, and a Ship Railway was afterwards deliberately adopted, on account of its superiority, as a means of carrying vessels from sea to sea, and of its cheapness, as the payment of a subsidy to the Railway Company would be more economical to Canada than constructing a Ship Canal. The final estimated cost of the Ship Canal was between \$9,000,000 and \$10,000,000. By the change from a Ship Canal to a Ship Railway, Canada was therefore obtaining a better service for little more than one-quarter of the cost, free also from the liability to pay anything whatever unless the Railway was completed to the satisfaction of the Government and operated successfully.

But, apart from the fact that successive Ministries—both Liberal and Conservative—had voted money in support of the Ship Canal and that Parliament had passed Legislation for the Ship Railway, the general desire of Canada to see the work carried out was manifested in many ways.

Royal and Government Commissioners and leading Canadian engineers, including Mr. Collingwood Schrieber, the Deputy Minister of Railways and Chief Engineer to the Canadian Government, reported in its favour. Leading Boards of Trade in important cities and other public bodies passed resolutions of approval cordially supporting the enterprise on account of the commercial advantages it would confer when completed. The Municipal Council of the County of Cumberland, Nova Scotia, purchased from the owners and granted to the Ship Railway Company without payment all the lands required for the undertaking. The scheme therefore obtained every Parliamentary, Ministerial and Municipal guarantee in its favour. No enterprise was ever taken to London, in order to be placed before investors, more completely fortified than this one was, by evidence and guarantees that it was desired by the Canadian Government and people as a necessary public work, or with more complete assurances for its practicability and success, both commercially and as an engineering scheme.

Sir Benjamin Baker, K.C.M.G., the eminent engineer, twice visited Canada,

and examined the proposed works on the spot, and after his return the second time, on July 14th, 1888, he made a Report, in which he said :—

“ My personal inspection satisfies me that no physical difficulties would be encountered “ in carrying out the works.”

Sir John Fowler, K.C.M.G., Sir E. J. Reed, K.C.B., Sir Nathaniel Barnaby, K.C.B., Sir John Brunlees, and other eminent and able engineers reported favorably respecting the enterprise, and also as to the general advantages of Ship Railways.

On his second visit to Canada, Sir Benjamin Baker took out with him a set of plans of the proposed works, which were approved, and in a Report of a Committee of the Honourable the Privy Council, approved by His Excellency on the 23rd May, 1888, there is the following passage :—

“ The Minister recommends that approval be given thereto as representing the standard “and specification ; completion of the said works in accordance with which will be regarded “by the Government as entitling the Company to the subsidy contemplated by the Act afore- “said.”

The early history of this enterprise, therefore, proves that it had stood the test of a full and complete examination in Canada, and had obtained general sanction and approval, even to the detailed plans by which it was to be carried out. It had been demonstrated that the Railway would provide the necessary means of transportation across the Isthmus for a much smaller sum than the Government itself would have to expend on a Canal far less adequate to meet the requirements of trade.

The enterprise has sometimes been spoken of as if it had been originated by one political party, and sometimes even by one leader. The foregoing account of its origin and parliamentary history shows who was responsible for it and statements ascribing it to any one party are without foundation.

In using the word “ promoters,” it is intended to refer to the Canadian gentlemen whose names are mentioned in the Act of Incorporation in 1882. But not one of them was a promoter in the sense of urging the enterprise on Canada for personal profit. There were, in fact, no promoters in the ordinary sense, and not one of those who invested in the Railway ever heard of it until it came to England as an enterprise desired by Canada and approved by its Parliament. Mr. Ketchum, a Canadian engineer, the projector of the Railway, was the only person who could be called a promoter, but even in his case it would not be true in the ordinary sense. His reward would have been professional advancement and reputation as the projector of a notable public work respecting which Mr. Collingwood Schreiber said :

“ It is Canadian in design and must prove national in its results.”

Mr. Ketchum was a promoter only in the sense that the projectors of the Suez Canal and the Forth Bridge could be said to be promoters.

The actual promotion of the scheme was done, firstly, during the eleven years between 1870 and 1882, by the Dominion Government, Sir Hugh Allan, and the Royal Commissioners, Boards of Trade and other commercial bodies, and for the following five years from 1882 to 1886, by both Houses of the Dominion Parliament which passed the Acts on the faith of which the investors supplied the money to carry out the work.

WHAT WAS THEN DONE IN LONDON.

On the passing of the Act of 1886, preliminary contracts were arranged for carrying out the undertaking, and when the report of Sir Benjamin Baker was received at the end of July, 1888, a contract was entered into for the completion of the Railway with Messrs. Meiggs & Son, contractors, of Dashwood House, London, who before this had successfully carried out many railway contracts larger than this one in the Argentine Republic and other parts of South America. Their reputation and financial position entitled them to the complete confidence of the Directors. The construction contract was signed on the 16th October, 1888. A sub-contract for the supply of the hydraulic machinery was signed on 31st December, 1888, and the other contracts in connection with the work were signed late in the same year or early in 1889, and it was not possible in a work of this novel character, to settle these important contracts sooner.

The Capital issues of the company to provide the cost of Construction were to be £700,000 in Debenture Bonds and £300,000 in Preference Shares. Early in March, 1889, the Company was ready to issue these to investors, when it was discovered that *after* the Company's Acts had been passed, a General Railway Act had also been passed in the previous year, and in section 93, subsection 4 of this Act, it says, after defining the extent of borrowing powers:—

"But no Bonds or Debentures shall be issued until twenty per centum of the cost has been actually expended on the work."

On this account the Directors could only issue the £300,000 in Preferred Shares which were subscribed for at par, on the 20th March, 1889. They had then to wait until the bulk of this money was expended on the work and could not issue any Debentures until the 22nd November following, say eight months after, and on account of the change which had meantime come over the money market, they could only succeed in obtaining subscriptions for £250,000 at £108, 10s. per £100 Bond out of a total of £700,000 authorized. Had it not been for subsection 4 of section 93 in this General Railway Act they could have placed the whole of the capital in the beginning of 1889. To this legislative restriction is

directly ascribable the suspension of the work by the contractors and all the misfortunes that have subsequently befallen the Company. This fact is the more regrettable as the mistake made in passing this subsection in the Railway Act was afterwards recognized and admitted, and the Canadian Parliament repealed that particular subsection by the Act, Chapter 27, of 1892; see section 4. Fatal injury had, however, meantime been done to the investors in the Chignecto Railway.

In addition to the Debentures and Preference Shares the Company was also authorized to issue £100,000 in Ordinary Shares which were not offered to the public. Under the contract they were paid to the contractor as the work proceeded excepting £18,100 which still remain unearned in possession of the Company.

THE CONSTRUCTION OF THE RAILWAY.

The preliminary surveys and work had been completed in 1888, and the work of construction was commenced as early in 1889 as the climate would permit, and was afterwards carried on as vigorously as possible. But many difficulties arose. There was an unprecedented rainfall which kept the ground in a flooded condition for the greater part of a season. Delays were also caused by extra excavations found necessary in making the docks, these having to be carried 24 feet deeper than was originally calculated in order to obtain solid rock foundations for the masonry. The supply of labour was also limited on account of large railway works being carried on in the neighbourhood, preventing the sub-contractors from being able to secure a sufficient number of men. A part of the land over which the track passed was found to be so boggy that immense excavations and fillings, far beyond what had been estimated, were found to be necessary to prevent possible future subsidence. The financial position also became threatening, and in the following year the sale of the Company's securities was impossible on account of the crisis which was then upon us, and which culminated in the stoppage of Baring Bros.

The work of constructing the Railway proceeded until the autumn of 1891, by which time nearly three-quarters of it was done. Besides this work the contractor had undertaken extensive contracts in the Argentine Republic, and those from whom he had to receive payment defaulted, and shortly afterwards he found he had exhausted his means. Debenture Bonds had been regularly paid to him as the construction of the Railway went on, but he could not place them with the public, and was compelled to suspend his operations. The Company had then to seek for another contractor to finish the railway. The Directors desired to get a Canadian contractor to do so, but the difficulties in this respect were insurmountable.

WHAT FOLLOWED THE SUSPENSION OF CONSTRUCTION.

In the spring of 1892, Mr. Provand, one of the Directors, came to Canada, laid the position of the Company before the Government, and asked for legislative authority to issue Preference Bonds for a sufficient amount to complete the works. Parliament thereupon passed an Act authorising the issue of First Preference Mortgage Bonds to the amount of £350,000, none of which were, however issued, and on the 9th of July, 1892, the Government granted an Order-in-Council promising to recommend Parliament to extend the time for completing the work on the following terms.

"That, provided that the works necessary to complete the railway and appurtenances are actually in progress, and the Company establishes to the satisfaction of the Governor-in-Council that it has secured all the capital necessary fully to finish and equip the railway, docks and other works of the Company, in all respects according to the requirements of the contract above mentioned, on or before the 1st July, 1894, and that an extension of time to the said date for the completion thereof is necessary, the Government, at the next session of Parliament, will recommend to Parliament the legislation necessary to extend until the 1st July, 1894, the time within which to complete said railway and appurtenances according to the said contract."

Early in 1894 the Company succeeded in making a provisional arrangement with Messrs. Pearson & Sons, Contractors, of Victoria St., London, to complete the Railway, who sent engineers to report on the condition of the works. They arrived in Canada before the snow was off the ground, inspected them, returned to London and reported early in June that they were willing to undertake their completion. The original Debenture holders thereupon subscribed for the necessary capital to finish the Railway in First Preference Mortgage Bonds authorised by the Act of 1892.

These arrangements were completed in June, a statement was forwarded to the Hon. Sir Charles Tupper, then High Commissioner, and the following telegram was sent by Mr. Provand:—

To the Right Hon. SIR JOHN THOMPSON, Ottawa.

We have now secured the capital to complete the Chignecto Railway and have settled with first-class firm of contractors to commence the works immediately if we receive an extension of time sufficient to complete them, say two years, for which I now apply on behalf of the Company.

A. D. PROVAND.

To which a reply was received from Sir JOHN THOMPSON that it was then too late in the session to consider the question. Mr. Provand, however, came to Canada and saw the Right Honourable Sir John Thompson, then Premier, and the Hon. Mr. Foster, Finance Minister, but Parliament had already prorogued and nothing could be done.

The Hon. Mr. Foster, when in London in October, 1894, received a deputation of the Share and Debenture holders at the office of the High Commissioner

and in reply to their request that the question of the Railway Company's position should be considered by the Government as early as possible, he said : —

" Conditions always accompany the grant of a subsidy, and if the conditions are not fulfilled, the Government is not legally responsible at all for the payment of the money. The Government, however, in this matter is bound to take in other considerations than those of strict and absolute legality, and I can assure you—and that is as far as I can go in an assurance as a responsible member of the Government—that the Government will take this matter up as was promised Mr. Provand, and we will give it our best consideration on the grounds of what might be called moral obligations—of how it may affect credit, and also, as we are primarily bound to do, in respect of the best interests of our own people for whom we are trustees and for whom we are bound to act with great care and prudence. I think you are perfectly right in asking that you should have a decision upon this question as soon as possible. It has been impossible, and I may say it is impossible, to have a question of this gravity considered without what we call a full meeting of council, and circumstances during the holidays have rendered it impossible for the Government to be assembled in force.

Mr. Provand also saw Sir John Thompson when in London, who was too unwell to receive the deputation, but stated that he had read and agreed with what Mr. Foster had said to the deputation, and that he would write to the company a letter stating so. This promise was made only two days before his untimely death ; he was then preparing to go to Windsor, and had no opportunity to carry out his promise.

With the understanding that the matter would be taken up and finally dealt with by the Government in the Session of 1895, Mr. Provand came to Canada in May, and found that subsequent to the invitation to come the Government had decided to take up no legislation during the session which affected subsidised enterprises but they undertook to bring forward and deal with the question finally in the session commencing in January of the present year. Mr. Provand therefore again came to Canada and remained from December until March, but found that the Remedial Bill and other questions would occupy the sole time of Parliament and render the Government unable to carry out its undertaking.

In May last the following Order-in-Council was approved by his Excellency the Governor-General :—

Extract from a Report of the Committee of the Honorable the Privy Council, approved by His Excellency on the 22nd May, 1896.

On a Report dated 24th February, 1896, from the Minister of Railways and Canals, submitting for consideration the following approved Minute of Council, dated the 9th July, 1892.

" On a Report dated 7th July, 1892, from the Minister of Railways and Canals, stating that the Chignecto Marine Transport Railway Company has made application to him, with a view to obtaining one year's extension of the time now limited for the completion of the Works to be constructed by the Company under the contract entered into with the Department of Railways and Canals on the 4th of March, 1886. That the Company in support of such application has represented that about seventy-five per cent. in value of the Works undertaken have been constructed at an expenditure by the Company of between \$3,000,000 and \$4,000,000 that it will require over \$1,000,000 further expenditure to complete the Works, that the operations on the Works were suspended in the latter part of last year, and have not been re-commenced, that this suspension was owing to the Company's contractors being unable in the depressed state of the money market, to raise money on the Company's securities. That in order to raise the further necessary capital to re-commence and complete the Works, the Company applied for, and has obtained authority from Parliament at

" its present Session, to issue first Preference Mortgage Bonds to the extent of £850,000 sterling. That the Directors feel satisfied they can, upon these Bonds, obtain the requisite capital to complete these Works, provided they can feel reasonably certain that the time for the completion of the Work will be extended by Parliament for at least one year from the time now limited, which is the 1st July, 1893, that this extension is requisite owing to the time which has already been lost since the stoppage of the Works, as well as to that which must necessarily elapse before they can now be re-commenced, but that unless the Company can show that they have the assurance of the Government of Canada that a Bill will be introduced and promoted by the Government at the next Session of Parliament extending the time for the completion of the Works as above mentioned, it will be useless for the Directors to endeavor to raise the money necessary on the new bond-issue.

" The Minister under these circumstances, and in view of the large amount of private capital which appears to have been already invested in the works, of the further fact that the works appear to be so nearly completed, that the suspension of the works was owing to unforeseen circumstances, and that it would appear necessary in order to obtain the further capital and to complete the works, to have the additional time asked for, recommends :

" That provided that the works necessary to complete the Railway and appurtenances are actually in progress, and the Company establishes to the satisfaction of the Governor-in-Council that it has secured all the capital necessary fully to furnish and equip the Railway, docks and other works of the Company, in all respects according to the requirements of the contract above mentioned, on or before the first of July, 1894, and that an extension of time to the said date for the completion thereof, is necessary, the Government at the next session of Parliament will recommend to Parliament the legislation necessary to extend until the first of July, 1894, the time within which to complete said Railway and appurtenances according to the said contract.

The Minister desires also to refer to the minute passed on the 31st day of October, 1893, with reference to an application of the Chignecto Marine Transport Railway Company, in which the grant of any further aid to the project of that Company was declined, and to call attention to the fact that the requests which were so dealt with by that Order of Council, was one for a re-arrangement of the subsidy to the project, which would have involved a change in the principle upon which the aid is granted, and that the refusal in the Order in Council last mentioned refers to that request.

The Minister observes that under the provisions of the last paragraph of the Order of Council first above cited, the Company, before the first of July, 1894, secured all the capital necessary to fully furnish and equip the Railway, Docks and other Works of the Company in all respects in accordance with the requirements of the contract above mentioned, and is now ready and desirous to proceed at once to the completion of the said Railway, Docks and other Works, provided an extension of time within which to complete the same for the purpose of the contract entered into with the Department of Railways and Canals on the 4th of March, 1886, be granted to them ; such extension not to exceed three years from the first of October next.

The Minister further states that it appears to him that the delay which has occurred since the passage of the Order in Council above cited, has been owing to circumstances entirely beyond the control of the Company, who are *bona fide* desirous of completing their undertaking.

The Minister therefore recommends that at the next Session of Parliament the Government submit the legislation necessary to extend for the period mentioned above the time within which to complete the said Railway and appurtenances according to the said contract.

The Committee submit the above for Your Excellency's approval.

(Signed) JOHN J. MCGEE,
Clerk of the Privy Council.

The above Order-in-Council places the facts on record, namely, the large amount of private capital expended, that the works were nearly completed, that the suspension of construction was owing to unforeseen circumstances and also the *bona fides* of the Company inasmuch as it has had its capital subscribed since June, 1894, with which to recommence construction and complete the Railway. The Honorable the Minister of Railways and Canals therefore recommended that at the next Session of Parliament the Government should submit the necessary legislation to re-instate the Company.

The investors are informed that the constitutional practice in respect to Orders-in-Council is that in all cases in which *bona fide* action is to be taken by the parties interested that their position under the Order-in-Council and the value of the Order to them is not impaired by any change made in the Executive or of the Government before the Order has received legislative ratification. The *bona fides* of the investors who now form the Chignecto Railway Company has received official acknowledgement in several ways altogether apart from the special recognition in the foregoing Order-in-Council. The investors therefore respectfully request the Canadian Government to give effect to the recommendation in the Order-in-Council and submit to Parliament the necessary legislation to re-instate the Company in its original position as regards the Contract to construct the Railway and the Subsidy.

The foregoing is a brief account of how the Company came into its present position. There are several points, however, which it is necessary to set out with some detail in order to prevent misapprehension as to where the responsibility lies for what has befallen the enterprise.

APPLICATIONS TO PARLIAMENT.

It has been stated by public men that the Company has made many applications to Parliament for extensions of time and financial assistance. This is true in a technical sense only. Down to 1889 the "Company" was in fact and to the knowledge of the Canadian Government and Parliament only the scheme of Canadian incorporators whose names are set out in the Act of Incorporation passed in 1882; but the "Company" since 1889, is the Share and Debenture holders who found the capital and carried out the work. From 1882 to 1888 there were five Acts of Parliament passed in connection with the Canadian incorporators, but it is impossible to say that the present investors either asked or received anything from the Canadian Parliament previous to 1889. They did not exist before that year, and the object, openly declared in Parliament, of passing all these Acts was to call them into existence and obtain their money. The present investors became connected with the Company in March, 1889, and since then the only applications made to Parliament on their behalf were in 1891 when a year's extension of time was granted, and in 1892, when the Act was passed authorizing the issue of First Preference Debenture Bonds. With these two exceptions all the applications to Parliament were made by the Canadian incorporators while they constituted the Company, and not by the present investors who are those now seeking relief and who are entitled to be considered.

The Company was not re-registered in London. It remains a Canadian

Company under Canadian laws although all the investors live in the United Kingdom. This is an additional evidence of the confidence which our investing public had in the enterprise.

The investors had no connection whatever with the original body of incorporators nor with the manner of promotion which it was assumed was followed in order to be consonant with Canadian law and Canadian Parliamentary methods.

THE PRACTICE OF GOVERNMENTS AS TO GRANTING EXTRA TIME.

It is rarely the case that a public work of any magnitude is completed within the original time, and in cases like that of Chignecto where the *bona fides* of the investors is beyond question, extensions of time are asked for, *and granted by Governments as a matter of course*. Not only has this been the case, but many Governments have assisted large undertakings of this kind financially, although under no obligation to do so. Although penalties are sometimes provided for in a contract they are rarely exacted, and then only to meet actual loss; but in this case it is the investors alone who have suffered by the delay.

The following letter from Mr. R. D. M. Littler, Q.C., leader of the Parliamentary Bar in England shows how public enterprises of this kind are dealt with by the British Parliament. Mr. Littler was Chairman of an investment Company which subscribed for £20,000 in the Company's debentures and £20,000 in shares. He was to accompany the deputation which waited on Hon. Mr. Foster, the Finance Minister, in London, but at the last moment he found himself unable to be present and sent this letter:

"2 PUMP COURT TEMPLE,
"30th Oct., 1894.

"My Dear MR. PROVAND,
CHIGNECTO.

"I very much fear, as I told you, that I shall be unable to be with you in your attendance on the Finance Minister to-morrow owing to the shortness of the notice and a very imperative previous engagement. I should have much liked to have been with you, representing as I do £40,000 of solid money invested in reliance on what we believed, and still believe, to be the deservedly good name for absolute good faith of the Government of Canada.

"Of course, on most of the questions I cannot pretend to speak with anything like the authority of those intimately connected with the City, but on one point I am clear, and that is, that now nearly thirty years' experience of the practice of both Houses of the English Parliament assures me that, under such circumstances, not a single Committee of either House could be found to refuse an extension of time to those who had expended their money under very great difficulties, and that, even were it necessary to again and again renew the application. I believe I am absolutely right in saying that no single railway work in London in the last forty years has been made within the time originally limited. Many have had ten or twelve years' extension. It is true that there was not in any of these cases any question of guarantee, but that makes the position stronger; for here not a soul would have invested his money in Chignecto, save in the belief that Canada gave the guarantee because she wanted the railway and was determined to have it. Their country has suffered no loss save that of the delay of the advantage of the works as completed (while it has received the gain of the out-

lay of our money), but we, on the contrary, have lost heavily in interest on our outlay and in all the expense of endeavouring to complete. Not unnaturally, British investors deem that these arguments—irresistible at home—should prevail in case of need in Canada. I own I feel the less regret at my inability to attend when I think of the moral position we hold.

"I cannot conceive it possible that an answer can be found to your arguments which would satisfy not only us who have invested but any person asked in the future on the faith of Canadian Guarantees. Yours truly,

" (Signed) R. D. M. LITTLER."

Strict regard for equity and good faith with investors has always been characteristic of the British Government, even in cases where no legal liability existed. A noticeable instance of this is given in "Todd's Parliamentary Government in England," volume 1, page 782, where the circumstances are stated under which the British Government gave a guarantee of $4\frac{1}{2}$ per cent. per annum on £500,000 for 50 years to the Red Sea and India Telegraph Line. The importance of the line and its uncertainty as a commercial venture were the reasons for giving the subsidy. The line proved to be a complete failure and was never operated, and, notwithstanding that the law officers advised the Government that it was not legally liable to continue the payment of the subsidy, nevertheless Mr. Gladstone's Government introduced a Bill to declare

"That the guarantee contained in the said agreement was not intended to be and is not conditional on the line of telegraph of the Company being in working order."

The public had invested in the Telegraph Company's shares in the belief that the Government was liable, and on this account Mr. Gladstone's Government, passed the Bill assuming a legal liability under which the sum of £36,054 per annum will be payable until 1908.

The Directors of the Chignecook Company never supposed there would be any hesitation on the part of the Government in granting sufficient time. After the default of the contractor their chief object was to secure a new contractor unexceptionable as to financial strength in order that the work might be completed to the satisfaction of the Government. This is shown by a letter written by Mr. Provand to the Right Hon. Sir John Thompson, in August of 1894, in which he said:—

"In speaking to you at Muskoka about the loss of time in obtaining the services of a Contractor to complete the work, I quite forgot to mention to you that a firm in London offered last year to do it. Although the firm was highly respectable, we did not think that they were strong enough to carry out the business, and consequently their proposals were not accepted. On this account their representative wrote to Sir Charles Tupper in London, reflecting on myself personally, to whom he ascribed the refusal to accept their offer, and Sir Charles allowed me to read the letters he had received, of which, of course, I took no notice. I mention this to show that if we had considered our position as at all precarious, or that there was the slightest doubt of our obtaining the time required to complete the works, when we were able to recommence them, we might have accepted this firm's offer, in order to ask you last year for a fresh Act. But we never took this view of our position and would not therefore contract with a firm in whom we had not the most implicit confidence that they were in every respect competent to complete the work to the entire satisfaction of the Canadian Government."

The foregoing extract shows what the Directors considered to be their duty in the circumstances.

It appears that the practice of the Canadian Government is to revoke subsidies. In the report of the Minister of Railways for 1895, there are between thirty and forty railways mentioned, for which subsidies were revoked, and in many cases these subsidies have been repeatedly renewed. Reference to the General Subsidy Acts, one of which is passed nearly every session, shows that subsidies are again and again revoked *even in cases when no work whatever has been done*. It is said that there is no instance of a subsidy not having been revoked and paid by the Canadian Government in a case where a Company did any work. Therefore, according to all Canadian precedents, the Chignecto Railway is entitled to have its subsidy renewed. And if refused, the question will naturally arise, is it because the Government adopts one rule for Canadian and another for British investors? That the moral obligation to the distant investor, separated from Canada by the sea, without votes and unable to bring pressure through representatives, may be disregarded, but the Canadian investor, possessed of polling and representative power, has his subsidy revoked again and again, although in innumerable cases his claim to consideration is not a tithe so strong as that of the investor in Chignecto shares.

RESPONSIBILITY FOR DELAYS.

There is no doubt that the time in which it was calculated the Railway could be constructed was much too short, the contractors were too sanguine; they were unacquainted with the climatic conditions of Canada, in which they had never carried out any work; besides which they relied on the customary rule observed by governments, namely, *to grant whatever extension of time is necessary to complete works when those executing them are showing their bona fides as in this case*. It must be remembered the Ship Railway is a new and unique enterprise, and that work cannot be commenced in an average year at Chignecto before the beginning of May nor continued after November.

As the only disability of the Company was default in time of completion, the exact extent of this and how far it relates to the investors should be noted. The contract between the Government and the Canadian promoters for the Railway was made in June, 1886, and it was to be completed in July, 1889—say two whole and two half seasons—a period which subsequent experience has shown was far too short. Unavoidable delays occurred in beginning, and preparatory work only could be done in 1886 and 1887. In consequence of this in May, 1888, an Act was passed extending the time until 1892, and the plant was placed

on the ground in the same year ; but the season was exceptionally wet, and labor so difficult to get that almost no work could be done. The Share capital was issued early in 1889 and part of the Debentures late in the same year, *from which date commenced the connection of the investors with the enterprise.* The works were vigorously carried on during 1889, 1890 and 1891, until stopped by the financial crisis. But meantime unlooked-for natural difficulties were, as already referred to, encountered in the construction of the Railway. Seeing it was, therefore, impossible to complete in the time given, application was made to Parliament for one year's extension, which was granted in 1891, making the date for completion the first day of July, 1893, *and this is the only application made to Parliament for an extension of time since the British investors became the Company.*

Contracted for in June, 1886, the completion of the railway in July, 1889—say in two half and two whole seasons—was impossible, even if all the conditions had been favorable, as half seasons are almost valueless for doing such work. We now clearly know this was a miscalculation, but if instead of asking for two whole and two half seasons, four entire seasons had been asked for, *i. e.*, 1887, 1888, 1889 and 1890, they would have been readily granted, and yet for several reasons it would have been insufficient time. The sub-contractors could only survey and measure the work during a few months of the year, and in consequence of this the whole of 1887 was lost, and part of 1888, as the contracts could not be completed until August in that year. A third season was nearly all lost by the difficulties in obtaining labor, and on account of the heavy rains which kept the marshes flooded so long that it was impossible to begin the cuttings and embankments ; and thus the work could not be properly started until 1889. Therefore, in any case, the extension of time to 1893 would have been necessary on account of unforeseen difficulties to which all such enterprises are liable ; it is certain the railway could not have been finished earlier than that year on account of the difficulties experienced in the prosecution of the work itself.

With reference to the immediate cause of the stoppage of construction it should be remembered that when the contract was given out Messrs. Meiggs & Son was a well-known firm of contractors, of reputation and wealth, who had carried out other works costing far more than Chignecto. Their default to complete the railway arose from causes entirely beyond their control—the crisis in the affairs of the Argentine Republic—and under circumstances so extraordinary and unprecedented that little blame is to be attached to them. To succumb in such a period of financial stress as proved fatal to a firm like Baring Bros. may be easily accounted for. The monetary conditions under which the

contractors found themselves unable to go on with the work were without a parallel. The financial crisis extended to nearly all countries. It affected the whole of the commercial world and it is certain that the investors, on whose behalf this appeal is made are blameless.

Further, it is submitted that a default in time should be considered relative to its origin. If, for example, instead of the loss of a season or two by various unavoidable difficulties, such as extraordinary rainfall, the impossibility of finding rock foundations within a calculated depth, or boggy places in the track, these had occupied years to overcome, it is certain there would be no equitable reason on that account to refuse to grant all the time necessary to complete the work. Further, if, for example, it had been found necessary after the track was completed, that it should be allowed to settle for one or two seasons before it could be operated on account of the heavy loads it was intended that it should carry, there would still be no equitable reason to refuse to enlarge the time in which to earn the subsidy; and, in mentioning this latter example, it is only stating what might have been the case with the Chignecto Railway. If it had been completed in 1893, it might have been necessary to postpone using it for a season or two, in order to allow the embankments to settle. There have been numerous instances of this having to be done, and in the case of a ship railway, where the loads to be carried are exceptionally heavy, it would be found far more necessary than with an ordinary railway.

It cannot be contended that for any default in time, arising from reasons of which the foregoing are examples—which might be indefinitely multiplied—investors would be disentitled to relief; because if time was refused then it is certain no one would in future invest in such an enterprise, and the promotion and encouragement of commerce by schemes similar to this railway would become impossible. It is, therefore, clear that unless investors themselves wilfully or by deliberate neglect cause the default, no equitable reason can exist for depriving them of any right or concession relying on which they had expended their money in good faith. This railway is a case in point; and the investors are no more to be blamed for the delay, caused by the financial crisis, than if it had arisen from actual physical difficulties in carrying out the work, and when these have been encountered *no Government has ever refused the extra time required to complete a work under circumstances similar to those which exist in connection with this railway.*

In all contracts similar to that for the Chignecto Railway a time to complete is necessarily stated, but it is certain that no Government would find a body of investors willing to undertake a contract under which they were to expend their

capital to carry out a scheme and perform certain operations at certain dates if they supposed it was to be under forfeiture of their whole investment. A time is always put in such contracts in order to ensure *bona fides* and if neglect is wilful on the part of the investors then such contracts may fairly be cancelled. But if the investors proceed with their work and expend their money a Government is morally bound to permit them to complete, and the Government that will, in advance, say they will not do so will find no investors willing to undertake any contract with them. If the investors, acting as they have in perfect good faith, had for one moment supposed that the Canadian Government would under such circumstances as have arisen even hesitate to enable them to complete the work, it is absolutely certain that they would not have put their money into the enterprise.

Those who invested in the Chignecto Railway did so entirely on the faith of the Government subsidy and on the certainty of ultimately earning it, notwithstanding the vicissitudes which invariably attend such large and novel undertakings. It is not a venture which without any subsidy could have obtained financial support, and their faith both in the subsidy and the enterprise is shown by the fact that they accepted all risks attending the completion and successful working of the railway; for unless they complete and work it successfully the Government is not required to pay any subsidy whatever. And even if the Canadian Government were to be called upon to pay the subsidy for the whole twenty years—a most improbable contingency considering that the Company has to repay all the subsidy out of profits—the total amount would be far less than the Company will expend in Canada on the railway, for material, labor, locomotives, customs duties, transportation and machinery.

In this case the Railway has been constructed for a special purpose for which it is impossible to expect at the beginning, traffic sufficient to make any return to the investors. If, therefore, time to complete is refused, they will be compelled to abandon the enterprise and lose the whole of the \$3,500,000 which they have expended to the present time. No such risk as this was contemplated when they subscribed for the Company's issues. They took every risk that could be foreseen, but it was impossible to foresee the financial crisis which came upon us in 1890. Under no circumstances could they have supposed that on account of the default of the contractors in not completing the railway within the time fixed they would be deprived of their whole property. The postponement will be at most between two and three years, no one being prejudiced meantime, and they would have considered it outside all possibility of belief had it been said that for this they should be compelled to sacrifice their investment and abandon the undertaking.

When the contractors suspended operations in the Autumn of 1891, it would have been most inequitable if they had been dismissed from the work, as it was hoped and believed that their difficulties would be only temporary. This opinion was held by the contractors themselves, the sub-contractors, the Company and by the Canadian Government itself, as in the letter from the Finance Minister to the Company, of 21st January, 1892, he speaks of the "unusual and untoward circumstances which have been mainly instrumental in producing what it was hoped would be only a temporary embarrassment."

Nor in any case would it have been possible to put a fresh contractor on the works immediately. An accounting had to be made with the contractors, which occupied a long time, and everyone familiar with changing contractors in carrying out important public works knows that to do so requires much time, care and labour.

Besides the foregoing the investors cannot be considered as responsible for the delay which has taken place since June, 1894, when they subscribed the new capital to recommence construction. The death of the Right Hon. Sir John Thompson, the limitations placed by the Government on legislation during the Parliamentary session of 1895, the Remedial Bill, and the late change of Government, have been the cause of postponements for which the Company cannot be looked upon as responsible. Mr. Provand is now in Ottawa for the fourth time since June, 1894, in order to bring the business to a settlement.

In considering the delays and apportioning the responsibility it must not be forgotten that they all arose out of the inability of the Company to issue the whole of its capital in March, 1889, when the public would have taken it readily, *and this was the direct consequence of compliance with the fourth sub-section of clause 93 of the General Railway Act of 1888, which was afterwards repealed in 1892.* When the Company had carried out the terms of that Act, the financial conditions had so much altered that it became only possible to sell a portion of the Debentures, and this led to the contractors being compelled to suspend the work. This fact alone renders it superfluous to offer explanations for minor delays, when the cause of the whole of them was the position in which the Government placed the Company by adding the fatal subsection to the Railway Act of 1888.

WILL THE RAILWAY PAY ?

Mr. Provand, on his last two visits to Ottawa, has been told that opinion has changed in reference to the commercial value of the Chignecto Railway, and that doubts now exist as to the possible traffic. So far as he is aware no facts or figures have been given, nor has any responsible person spoken on the subject.

These statements are therefore disentitled to credence. But even if they were true they would not abate in the slightest degree the moral responsibility of the Government to reinstate the Company. It is now too late to discuss the commercial probabilities of the Railway. That it required to be assisted by a subsidy and would not pay from the opening was believed, and those who now make such statements no doubt do so with the object of prejudicing the Company, but what they really do is to discredit their own people, by imputations which, if true, could only show that the Share and Debenture holders had been too confiding when they invested their money on the faith of statements of leading public men in Canada, and on the Acts of the Canadian Parliament.

It is common knowledge that the supply of the means of transportation creates traffic, and this result will to a large extent follow the opening of the Ship Railway.

If the statements respecting the commercial future of the Railway made in order to induce British investors to take up the enterprise could be shown to be unfounded, there would rest upon the Government of that day and its advisers a very grave responsibility. From 1870 to 1886, a period of sixteen years, the question, firstly of a ship canal and secondly of a ship railway, was discussed and examined into, and so far as the investors know without any dissentient opinion of any moment. The Royal Commissioners appointed to examine into the necessity for a highway across the Isthmus of Chignecto reported in favor of it. Boards of Trade supported it. Evidence both official and non-official, all coming from responsible sources, indicated that the Railway was a real commercial necessity, and that it would ultimately have ample traffic to make it a commercial success. Therefore, whoever now throws doubt on its future possibilities must first explain how those who examined into the matter from 1870 to 1886 said so much in favor of the Ship Railway before the investors had supplied the capital to construct it.

The following quotation is from the report of the Royal Commission of 1871, of which Sir Hugh Allan was Chairman :—

"Inseparably connected with the growth of intercolonial trade is the construction of the Baie Verte Canal across the Isthmus connecting the provinces of Nova Scotia and New Brunswick. The advantages that must accrue, not merely to the Dominion as a whole, but to the commerce of the Maritime Provinces, are so clearly pointed out by the Boards of Trade of all the leading cities of Canada, and by men interested in the development of our commercial interests, not simply the merchants of St. John and other places in the locality of the proposed Canal, but merchants of Hamilton, Toronto, Ottawa, Montreal and Quebec, that it is superfluous for the Commissioners to do more than briefly refer to a few salient features of the scheme."

The following resolution was passed by the Board of Trade of St. John, N.B., 20th October, 1883, in favour of the Ship Railway, and is an example of the expressions of approval and support made by public bodies :

"Whereas, means of communication between the waters of the Bay of Fundy and the

" Gulf of St. Lawrence, whereby products of the several Provinces bordering thereon may be interchanged without encountering the dangerous navigation of the Atlantic coast of Nova Scotia, whereby steamers and sailing vessels, adapted as well for inland as for ocean navigation, may be safely conveyed across the Isthmus of Chignecto, without the cost and delay of transshipment or breaking bulk, and whereby the sailing distance between this port and all ports north and west of said Isthmus may be reduced about 600 miles—would materially increase the volume of trade and benefit the shipping interests of this and other ports in the Bay of Fundy and Gulf of St. Lawrence; and

" *Whereas*, by means of a Ship Railway across the Isthmus, the objects aforesaid may be accomplished, and thus stimulate the development of the agricultural, mining, lumbering, and fishing resources of the districts contiguous to the aforesaid ports; and

" *Whereas*, a company has been formed for the construction and operation of a Ship Railway, with commodious docks and hydraulic lifts, for raising and transporting over its line laden vessels of 1,000 tons register; therefore

" *Resolved*, That this Board is of opinion that the undertaking of said Company would greatly facilitate trade and commerce between the eastern and western provinces; and further

" *Resolved*, That this Board cordially approves the project for building the said Ship Railway, believing that this is a movement which will commend itself to all classes, and prove to be of great convenience and benefit to our trade and commerce generally."

In respect to the foregoing it may be asked, do those who now speak disparagingly of the prospects of the Ship Railway mean thereby to imply that the Royal Commissioners, who reported on the necessity of transportation facilities across Chignecto; that the public men and public bodies (named by Sir Hugh Allan in his report) who supported it, and that the Parliaments from 1882 to 1886, which passed four Acts incorporating the Ship Railway and providing the subsidy, formed a combination to deliberately mis-describe a particular state of things in order to induce British investors to place their money in the Railway? It is only necessary to state these facts interrogatively to show that no such combination could have been possible and that all the authorities above mentioned believed in what they were advocating during these sixteen years and had no intention whatever of misleading British investors.

It is painful for the Directors to have to notice such statements, but they feel they must do so, as those who utter them intend them to be taken as arguments against granting the request of the investors for relief, the fact being that if they had even a symptom of foundation they would reflect with terrible and indelible force on their own people.

But if those persons referred to only mean that Canada has changed its mind on the question of Chignecto, then it is a complete reply to say that such a change, if such there be, can furnish no reason—whatever for the Government refusing to carry out the complete moral obligation to the investors which exists in this case.

The statistics and statements on which the traffic calculations were based that were brought to London by the Canadian promoters and placed before the investors were in all cases official; many of them were taken from Government

returns and they were supported and certified to by innumerable commercial authorities. But should the enterprise prove commercially unsuccessful, then the investors will lose their money, notwithstanding the subsidy they will receive. This, however, is a risk which from the first they have been willing to accept. In good faith and in reliance on the Government and people of Canada, they have expended \$3,500,000, chiefly in Canada, in the construction of about three-fourths of the Railway, and they now only ask for legislative reinstatement of the subsidy in order that they may complete it.

When in Canada in August, 1894, Mr. Provand sent a memorial to the Governor-General-in-Council on behalf of the investors in which he said :

"The investors have faith in the commercial prospects of the undertaking, and their confidence is shown by the fact that they have themselves subscribed the entire amount required to finish it, and after completing all that is called for by the Government contract, intend further to provide extra lands, plant and machinery for various purposes, in order to promote traffics and make the railway a success. It is their intention to construct increased wharfage, coal tips, lumber and coal depots, plant for creosoting railway ties, etc. They are also prepared to create traffic from the commencement by the promotion of steamboat companies or subsidizing existing lines by free transport or otherwise. To carry out these intentions will take a very large sum in excess of what will be required to complete the original works, and the whole of this outlay will be made in Canada.

SOME REASONS IN SUPPORT OF THE INVESTORS' APPLICATION FOR RELIEF.

1. The scheme to provide transportation facilities across the Isthmus of Chignecto by means of a ship canal was supported by Government, Parliament, and every authority in Canada whose opinion was entitled to consideration, and was to be built by the Government itself with public money.

2. The Ship Railway scheme was adopted and met with even greater approval because it would supply the required transportation facilities for little more than one fourth of the final estimated cost of the Ship Canal, and because the money to construct it was to be found in England.

3. The Ship Railway scheme was *solely promoted by Canadians and the Canadian Government*, whose statements and terms were accepted by the investors, and the Canadian Parliament passed four Acts between 1882 and 1886 for the openly avowed purpose of obtaining the money in London.

4. The responsibility for the Company being unable to issue their whole capital before the financial troubles of 1890 to 1894, which culminated in the stoppage of Baring Bros., was entirely caused by the Canadian Parliament having in the year 1888 passed in a General Railway Act a subsection to section 93, which prevented the Chignecto Company issuing its Debentures in the early part of 1889 when it could have done so.

5. The ultimate default of the contractor and the stoppage of construction was through his inability to dispose of the remainder of the Debentures unissued in 1889 by reason of the monetary stringency in London, for which the investors cannot be held responsible nor, indeed, could the contractor himself, considering that his position in regard to the Chignecto Railway was directly the result of the Company being unable, by the act of the Canadian Parliament, to issue these very Debentures in 1889 before the panic commenced.

6. The investors alone have suffered by the delay. No person or interest in Canada has even been prejudiced thereby, nor will they by the further interval required to finish the Railway.

7. The Government has recognized the excellent way in which the Company has carried out the work so far as it has been able to do so. The Hon. Mr. Foster, on 21st January, 1892, in a communication to the Company, wrote as follows :—

“ In coming to this conclusion, the Government desires to recognize the energy and thoroughness with which the Company has carried forward its work, and to express sympathy with it in the unusual and untoward circumstances which have been mainly instrumental in producing what it is hoped will be only a temporary embarrassment.”

8. In an Order in Council dated 9th July, 1892, reviewing the reasons given in support of the Company's application for extra time, the following are the concluding sentences, in which it is acknowledged that the suspension of the work was owing to unforeseen circumstances :

“ The Minister, under these circumstances, and in view of the large amount of private capital which appears to have been already invested in the works, of the further fact that the works appear to be so nearly completed, that the suspension of the works was owing to unforeseen circumstances, and that it would appear necessary, in order to obtain the further capital and to complete the works, to have the additional time asked for, recommends :—

9. The succeeding clause in the above Order in Council is as follows :

“ That, provided that the works necessary to complete the Railway and appurtenances are actually in progress, and the Company establishes to the satisfaction of the Governor in Council that it has secured all the capital necessary fully to finish and equip the Railway, docks, and other works of the Company, in all respects according to the requirements of the contract above-mentioned, on or before the 1st July, 1894, and that an extension of time to the said date for the completion thereof is necessary, the Government, at the next Session of Parliament, will recommend to Parliament the legislation necessary to extend until the 1st July, 1894, the time within which to complete said Railway and appurtenances, according to the said contract.”

The foregoing clause promises the Company an extension of time to complete, if they secured the necessary capital, before the 1st of July, 1894. This was done, and particulars communicated to the Honourable Sir Charles Tupper, Bart., then High Commissioner for Canada, in London, and to the Right Honourable Sir John Thompson, at Ottawa. The Company has been ready since that time, namely, June, 1894, to resume construction of the Railway as soon as the Government passed the necessary legislation.

Not only in the above Order in Council, but in other communications and verbally, the language always implied that when the Company was ready with its capital to recommence work the necessary time would be granted it to complete the Railway. A deputation waited on the Honourable Sir Charles Tupper, Bart., High Commissioner for Canada in London, on the 20th March, 1893, and on this point he said to them :

" that whenever at any reasonable time the Company are in a position to say they have obtained the necessary means to carry forward the work and resume it, the spirit of this Order in Council will be carried out, and the time will be extended to such a period as will be fairly necessary to carry out the work."

And further added in reference of the Government of Canada :

" that they will give you whatever extension of time is found necessary to enable this enterprise, involving such a large amount of money, which in good faith has been expended, to be carried to successful completion, I entertain no doubt whatever."

10. There is a noticeable difference in principle in respect to the subsidy granted to the Chignecto Railway and the subsidy granted to an ordinary railway. In the former case the risk is enormously greater, as the whole of the capital has to be expended and operations continuously and successfully carried on to entitle them to the subsidy ; whereas, in the case of an ordinary railway, the subsidy is paid on completion of every few miles. Therefore, if Chignecto had been an ordinary railway, almost three-fourths of the subsidies would have been already earned and received, and there would have been no question of re-voting any amount except the balance. These facts entitle the Chignecto investors to special consideration.

11. So highly did the investors value the prospects of the Railway and the guarantee of the Canadian Government that they subscribed for the Preference Shares at par, and the Debentures at £8 10s. per cent. premium. Nearly all the original subscribers still hold the Debentures and Shares. The changes of ownership have been very few, and most of these were necessary to close estates on account of the death of the owners, or from some other cause. Therefore, those who now seek relief include nearly all those who originally invested their money in the Company in 1889.

12. To refuse this appeal of the investors would be to penalize them to the extent of the whole of the money they have already expended on the Railway, say \$3,500,000, *an act which would be without precedent or parallel in the history of such enterprises.*

On behalf of the investors the undersigned now begs to ask the Canadian Government to reinstate the Company in their former position as regards the Contract and the Subsidy, with sufficient time to complete the construction of the Railway as recommended by the Honorable the Minister of Railways and Canals in the Order-in-Council approved of by His Excellency the Governor-General in May last.

OTTAWA, August, 1896.

A. D. PROVAND.

CHIGNECTO MARINE RAILWAY.

The two following letters deal with the question of traffic for the Railway and other matters. Mr. Ketchum is the projector of the Railway and was one of the original Incorporators named in the Act of 1882. Mr. T. C. Keefer is the well-known Civil Engineer and is resident in Ottawa; he is also one of the original Incorporators.

LETTER TO "MONTREAL GAZETTE," 4th APRIL '96.

By H. G. C. Ketchum, C.E.

The Isthmus of Chignecto is as great an impediment to commerce between the Gulf of St. Lawrence and the Bay of Fundy, as the Falls of Niagara were between Lakes Erie and Ontario, before the construction of the Welland Canal.

There are upwards of 2,000 vessels plying annually through the Strait of Canso. If there were a similar channel between New Brunswick and Nova Scotia, it is reasonable to believe a much greater number would make use of such a waterway. The circuitous and often dangerous navigation around the Atlantic coast of Nova Scotia is a bar to almost all trade. Yet there are steamers constantly plying between Prince Edward Island and Boston in spite of the detriment. This shows the necessity of the short cut. If the obstruction were removed, by canal or otherwise, the distance to Boston would be shortened by 300 miles, and to St. John 500 miles. Mr. Snowball's timber circular states that "Freight rates from Eastern New Brunswick to United States ports are so high in comparison with those from St. John and the Bay of Fundy ports that our trade in that direction is about nil." Thus the great timber resources of this Province, as well as the Gaspé district, are almost shut out from the natural markets to the south, and are obliged to depend almost entirely on the English market. The agricultural produce of Prince Edward Island, such as hay, oats, potatoes, live stock, is shut out from its best market, and this fertile island is prevented from exporting all it might do, if this obstruction were removed and facilities given.

In the year ending October 1st, 1895, the production of minerals in Nova Scotia was as follows:—Coal raised, 2,089,245 tons; gypsum, or land plaster, 133,300 tons; iron ore, 79,636 tons; lime, 30,196 tons. There are coal mines on both sides of the Isthmus. The quality and prices vary much, and suit different purposes. There would be an interchange across the Isthmus of the different varieties. The sales last year of Pictou amounted to 368,784 tons, and, yet, this superior coal field is debarred from a market to the south, and from competing with other collieries for the supply of St. John. Coal barges would be largely used in crossing the Isthmus and in navigating the sheltered waters of the Bay of Fundy when the Marine Railway is finished.

There are also large quarries of building stone on each side of the Isthmus. This stone is of various qualities and colors, and, like the coal, suits different purposes. Access to the United States on the one side, and to the Canadian cities on the other side, is not available by water except at great risk and cost. Stone has been furnished to Toronto and Buffalo, by rail, from the head of the Bay of Fundy, but it has been done at great sacrifice in breakages in re-handling. A manager of one of these quarries told the writer he would be glad to pay a dollar a ton for freight across the Isthmus. He would thereby be saved the great loss by damage done to the stone.

The Gypsum quarries of Hillsborough and Windsor could send their productions of land plaster to a good market in Montreal if facilities were provided.

The Marine Railway can be operated at small cost, and is sure to develop a large water commerce between the two waters which it is intended to connect. It will be mostly used for the transport of vessels loaded with timber, deals, boards, sleepers, piles, telegraph poles,

hemlock bark, shingles, laths, also, coal, lime, land plaster, building stone, bricks, fish, iron ores, and such like commodities, either too heavy, or too bulky to afford the expensive carriage by railway. The tolls will be very moderate, and such as the materials can afford to pay. It will open a larger field for schooners and fishing craft in both waters. It is idle to talk of there being no trade for it. Any qualified engineer employed to inquire into the traffic capabilities would find food for thought in the statistics of the resources of the Gulf and Bay, and the tonnage of the different ports recorded in the Statistics of Trade and Navigation for last year. I have abstracted from these returns the following arrivals and departure of vessels within the sphere of the Railway:—

Ports of Gulf.	Coasting Trade. Tons.	Sea-going. Tons.
Prince Edward Island.....	1,182,127	138,411
Gaspe, Perce, New Carlisle	483,703	44,809
Bathurst, Miramichi, Shediac, etc.....	406,881	322,861
Pictou, Pugwash, Wallace, etc.....	712,613	160,480
	2,785,324	666,651
Ports of Bay of Fundy.		
In Eastern New Brunswick	753,611	1,497,056
In Western Nova Scotia.....	701,297	729,664
Total Bay Ports.....	1,454,908	2,226,720
Total Gulf Ports.....	2,785,324	666,651
Grand Total.....	4,240,232	2,893,371

Total coasting and sea-going trade, 7,133,603 tons.

In face of these figures, who will venture to assert there is no shipping to be accommodated by this great public work? Look at the timber resources of Quebec and New Brunswick, the farm products of Prince Edward Island, and the mineral resources of Nova Scotia, and who will say there are no goods to be carried? Two-thirds of the trade of the Bay of Fundy is with the United States, while but a few thousand tons only go from the Gulf of St. Lawrence to the United States. Who can doubt, if communication were once opened, that at least as great a portion of the Gulf trade would go there likewise, and be an addition to the present trade with Europe?

Mr. Corthell, Vice-President of the Columbian Water Commerce Congress, visited the Marine Railway during its construction, and wrote the following to the *Toronto Globe*:—

"I also made careful enquiries, and obtained reliable data in regard to the commercial features of this project. There is no question, in my opinion, about the entire success of this work from a commercial and a financial point of view. There is a large commerce now existing, which will certainly seek this shorter and more economical route. The opening of a line of communication for ships across the Isthmus will develop new commerce, and I do not hesitate to predict, in view of all that I heard and saw in regard to the commercial features, that, within three years from the opening of the line for business, it will have all it can handle."

It is the intention of the company to engage steamers for the opening of business, and to insure vessels against damages sustained while in transit. The risk of straining is very small, owing to the construction of the steel cradles, which give support to the load, and by a special system of blocking for the keels and bilges of the vessels, which render any accident almost impossible.

The Marine Railway is 17 miles long—a straight line with almost level gradients, and is designed to carry steamers or any description of vessels loaded with cargoes, if they do not exceed 1,000 tons register. It can take a steamer of that size or three schooners at a trip, and transport them from water to water in two hours. There are commodious docks at each end, where from six to ten vessels may be received at all times of tide.

The terminus on the Strait of Northumberland comprises a dredged channel half a mile in length for vessels and steamers drawing 14 feet. There are two moles extending from the railway to the channel 850 feet in length, enclosing a dock or basin of four acres with a depth, at low water, of 19 feet.

On the Bay of Fundy terminus there is a wet dock of three acres with 30 feet depth of water when the gate is closed at low tide. An entrance channel 500 feet long will lead up to the dock gateway, which is 60 feet wide.

Nearly all this work is done excepting the dredging of the entrances and the gateway. The lifting docks, which are 300 feet long and 60 feet wide, are well advanced. When fin-

ished, the cost of the docks and approaches will be over a million and a quarter dollars, exclusive of the hydraulic machinery and buildings.

The navigation at both ends of the railway has been well tested during the construction of the docks, and found perfectly safe. It is open generally two or three weeks before vessels can pass through the Straits of Canso.

There has been three millions and a half dollars spent on the construction, and the money to finish and equip is waiting the action of the Dominion Parliament to pass the necessary legislation to enable the company to proceed with the completion of the work.

H. G. C. KETCHUM.

LETTER TO OTTAWA "FREE PRESS."

By C. T. Keefer, C. M. G.

Editor Free Press :—An unfavorable editorial on this undertaking in a recent number of the Free Press, closed with the admission : " It is true that the nation, presumably represented by its parliament, by lending its endorsement to the scheme, is most blameable."

The fact that parliament, representing the nation of which we are all so proud, has endorsed the scheme, and thereby induced Englishmen to invest some three millions in it—raises the question : " Can we afford to treat them differently from other outsiders, as well as Canadians investing in other Canadian railways, where the subsidies have been regularly and repeatedly revoked without a single exception, whenever any substantial work has been done." Some of these were subsidized as early as the Chignecto, and are still unfinished ; and it would not be difficult to believe that the ship railway when completed will be at least as beneficial to the Dominion as some others among the subsidized roads.

The engineering success of this railway is vouched for by Sir John Fowler and Sir Benjamin Baker, two of the foremost engineers of the world ; and, unless there is engineering success, no subsidy is earned. I know of no prominent engineer, on either side of the Atlantic, who doubts the practicability of safely transferring ships (including gun boats and torpedo boats) across this isthmus.

The safety of the vessels is vouched for, among others, by Sir E. J. Reid, late chief naval constructor for the British Admiralty. There is no novelty in the matter, except that of putting the ship into a different water from that out of which she was taken. Before lift docks were invented ships were hauled out on marine railways. Now they are lifted on pontoons (with their keels several feet above water level) where the paint dries in half the time it would in a graving dock. Where, also, they must be able to remain without water support.

The commercial success of this railway is a question of what traffic is within reach, and what tolls can be obtained in competition with a longer but untaxed and more exposed route. We have not exacted any guarantees as to commercial success from any other subsidized railway. If any of them have achieved commercial success it has been the result of their subsidies. If the commercial success of this road was not at least doubtful we would not have undertaken to nurse it until the age of maturity.

If we had undertaken it as a superior substitute for the Baie Verte canal, to compensate the Maritime Provinces (all three of which it serves) for our canal expenditure westward of them, it would doubtless be as commercially profitable as they are ; and it will give us what they do not—two excellent dry docks - one open to the Atlantic, the other to the Gulf of St. Lawrence.

The only difference between this and the great majority of the subsidized railways is the terminable annuity form instead of a mileage rate, terminable with completion, but it is not exceptional in this respect, for we are now paying a larger 20 years' subsidy to the C. P. R. to enable it to compete with the Intercolonial, besides a somewhat similar one on the Quebec and Ottawa line. It is true work has been suspended, but parliament at its present session has lengthened the life and revoked the subsidy to the Montreal and Ottawa railway—a work on which a less proportion has been completed—and on which no work has been done since 1892.

We have given about one hundred and fifty millions of dollars to railways (exclusive of provincial and municipal aid, amounting to about 50 millions more) besides land grants of over thirty millions of acres—entirely for their indirect benefit. If this had been an ordinary railway the greater part of the subsidy would have been paid years ago, as on other roads expending the same proportion of total cost whether they are ever completed or not. Because it is an extraordinary one, the first of its kind in the world, shall we inaugurate a new policy with regard to it ?

THOS. C. KEEFER.

Ottawa, 7th April.

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